

## Message Text

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ACTION OPIC-06

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FM AMEMBASSY BUENOS AIRES  
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E.O. 11652: N/A  
TAGS: EINV, AR  
SUBJECT: NEW FOREIGN INVESTMENT LAW PROMULGATED

REF: BUENOS AIRES 4847

1. LONG AWAITED FOREIGN INVESTMENT LAW (LAW 21382) WAS PROMULGATED MARCH 13. TEXT DIFFERS SLIGHTLY FROM VERSION REPORTED IN REFTEL, WITH ONLY TWO CHANGES OF IMPORTANCE:  
A) BANKS, INSURANCE COMPANIES AND FINANCIAL INSTITUTIONS ARE INCLUDED ON LIST OF INVESTMENTS REQUIRING PRIOR APPROVAL OF THE EXECUTIVE POWER;  
B) INVESTMENTS EXCEEDING \$5 MILLION (AS OPPOSED TO \$2 MILLION IN REFTEL VERSION) REQUIRE PRIOR APPROVAL OF THE EXECUTIVE POWER.

2. LETTER TRANSMITTING LAW TO THE PRESIDENT FOR SIGNATURE STATES THAT:  
A) "THE DIRECT INVESTMENT OF FOREIGN CAPITAL IS NECESSARY AS A COMPLEMENT TO NATIONAL INVESTMENT AND FOREIGN FINANCING TO REDUCE THE SOCIAL COST OF THE PROCESS OF CAPITAL FORMATION OF THE COUNTRY AND TO ACCELLERATE ITS RATE OF GROWTH."  
B) "FOREIGN INVESTMENT WILL NOT BE OBTAINED SOLELY THROUGH ADEQUATE LEGISLATION...BUT WILL DEPEND FUNDAMENTALLY ON POLITICAL STABILITY, PERSONAL AND JURIDICAL SECURITY, AND ECONOMIC STABILITY."

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C) "THE COUNTRY CAN OBTAIN THE BENEFITS OF FOREIGN

CAPITAL..WITHOUT FEAR OF DIMINISHING ITS SOVEREIGNTY  
OR POWER OF DECISION AS LONG AS THE LAWS ARE CLEAR AND  
JUST..."

3. EMBASSY IS POUCHING FULL TEXT OF THE LAW.

4. COMMENT: AMERICAN REPRESENTATIVES OF FIRMS ALREADY ESTABLISHED IN ARGENTINA HAVE WELCOMED THE NEW FOREIGN INVESTMENT LAW AND PARTICULARLY THOSE PROVISIONS WHICH PERMIT REINVESTMENTS TO ENJOY AUTOMATICALLY BENEFITS OF THE LAW SO LONG AS THEY DO NOT CONVERT THE RECEIVING CONCERN INTO A LOCAL FIRM OF FOREIGN CAPITAL. AN AMERICAN CHAMBER WORKING GROUP, HOWEVER, BELIEVES THAT MUCH OF THE LAW'S BENEFITS FOR EXISTING FOREIGN INVESTMENTS IN ARGENTINA WILL DEPEND ON THE REGULATIONS FOR THE LAW. THEREFORE, IT HAS PREPARED A SERIOUS OF RECOMMENDATIONS IT WOULD LIKE TO SEE INCORPORATED IN THE REGULATIONS, PRIMARILY CONCERNING THE GROUND RULES FOR DETERMINING THE VALUE OF FOREIGN INVESTMENTS FOR REPATRIATION PURPOSES (NET WORTH AS OF END YEAR 1973) AND THE EXCHANGE RATE AT WHICH THE REPATRIATION WILL BE AUTHORIZED.

5. WE SHARE VIEW EXPRESSED IN LETTER TRANSMITTING LAW TO PRESIDENT THAT LAW BY ITSELF WILL NOT ATTRACT INVESTMENTS. IT IS IMPERATIVE THAT GOA SOLVE TERRORIST PROBLEM AND PROVIDE POTENTIAL INVESTORS PROSPECTS FOR REASONABLE POLITICAL AND ECONOMIC STABILITY. OTHER THAN REINVESTMENT BY FOREIGN FIRMS ALREADY ESTABLISHED IN ARGENTINA, WE DO NOT EXPECT ANY SUBSTANTIAL INCREASE IN FOREIGN INVESTMENT IN ARGENTINA BEFORE THE END OF 1977, WITH POSSIBLE EXCEPTION OF PETROLEUM.

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